

Exhibit D




THE 2016 INNOVATORS

CORPORATE DEFINED BENEFIT PENSION PLAN
BELOW \$5 BILLION

Blue Cross Blue Shield Association

Jamey Sharpe, Chief Investment
Executive & Executive Director,
Retirement Services
(Chicago, Illinois)



Art by Thomas Fuchs 



In 2010, Jamey Sharpe made a bet:
Interest rates were going to stay low
for a long time.

FEATURED PODCAST



Chief Investment Officer Podcast
Jamey Sharpe, Executive Director, Retirement Services

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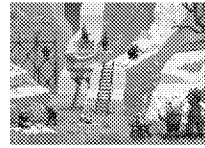
This bet would inform the Blue Cross Blue Shield CIO's primary strategic decision over the next six years: a shift to an 80% allocation to portable alpha strategies. "We've beaten our benchmark over the last one, three, five years—for every time frame we beat our benchmark by at least 150 basis points," Sharpe says. "And 90% of the credit for that goes to the portable alpha strategy."

With interest rates so low, portable alpha strategies have had particularly low hurdle rates over the last few years, making it easier to achieve outperformance at an attractive cost. The quantitative nature of most portable alpha strategies also means the results are fairly predictable—and less volatile than traditional long-only funds.

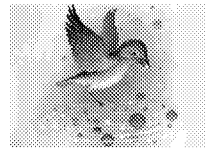
"We talked to a lot of managers about their portable alpha strategies and tried to come up with some consistency across the board," Sharpe says. "We've been fortunate enough to come up with portable alpha strategies that have had very consistent alpha."

The best innovations are often the fruit of necessity, and that's been the case for Blue Cross Blue Shield. As a trust of 21 separate pensions across

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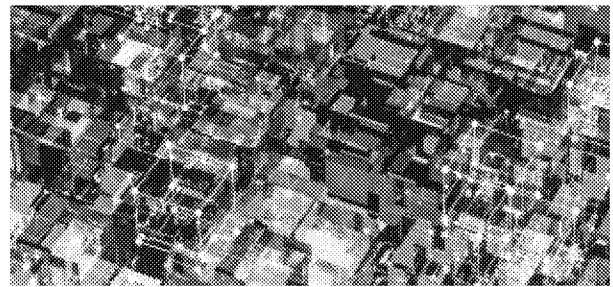


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the health insurance network, the \$5 billion fund is not your traditional corporate pension. “All the assets and liabilities are separate and distinct,” Sharpe explains. “It’s really like 20 separate \$250 million pension funds. In reality we have one plan that’s \$1 billion and many that are under \$1 million, but each plan has its own risk profile and its own board.”

Sharpe acts as a sort of outsourced-CIO (OCIO), with varying degrees of stewardship over each of the 21 pension funds. He provides access to a dozen or so investment pools—ranging across the asset class spectrum from domestic equities to real estate—and each individual Blue Cross Blue Shield plan has the option to either choose its own strategic allocation across these pools or leave it up to Sharpe’s team.

“The challenge is making this \$5 billion asset pool allocable to all these plans with different objectives, whether it’s higher growth or LDI [liability-driven investing] or whatever it might be—while still maintaining the efficiencies of the total trust,” he says.

As the acting OCIO, Sharpe’s focus has been to expand the platform to



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make sure all the varying needs of the individual plans are met. But investing 21 pension funds does come with its own challenges. “We can’t do a lot with private equity and hedge funds,” Sharpe explains. “It’s hard to sell 21 separate boards on something that’s not very liquid, that’s high cost, that’s not very transparent.”

Which brings Sharpe back to portable alpha. “Being quantitative in nature, these strategies are very transparent and relatively easy to explain to boards,” he says.

But what happens when interest rates finally go up? Already, yields have shot up in the wake of the US presidential election, and many investors are predicting a rate hike from the Federal Reserve this month.

“As long as rates don’t go up dramatically, we’re in pretty good shape,” Sharpe says. “But you got to keep your eye on it and keep thinking toward the future. Nothing lasts forever.”

—Amy Whyte

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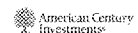
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PPG (Andrew Kicinski & Jonathon Mcawley)

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The 2016 Innovators



FOUNDATION	Public Defined Benefit Plan Above \$100 Billion	Corporate Defined Benefit Pension Plan Below \$5 Billion	Health Care	Public Defined Benefit Plan \$15 Billion to \$100 Billion
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Defined
Contribution



chief
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CHIEF INVESTMENT OFFICER

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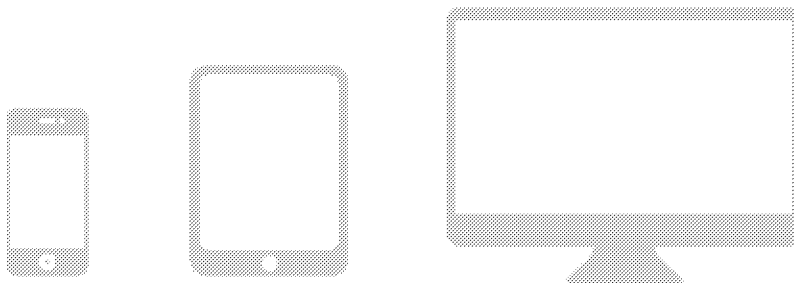
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